

~~TOP SECRET~~
SECURITY INFORMATION

SE-37

EXTENT OF PRESENT CONTROLS ON TRADE WITH COMMUNIST CHINA

10. Most of the nations outside the Soviet bloc apply some form of export controls over trade with Communist China. The US has maintained a total trade and shipping embargo against Communist China, as well as controls over the dollar assets of Communist China, since December 1950. Canada, Japan, Nationalist China, and the Philippines have imposed trade restrictions almost as severe, while Costa Rica, Honduras, Liberia, and Panama have imposed strict controls over the movement of their vessels to Communist China. The UK has embargoes or restricted the export of a wide variety of strategic items including natural rubber. In July 1950, the Western European countries which are members of the Coordinating Committee (COCOM)^{1/} on east-West trade applied to Communist China the selective controls earlier put into effect against the rest of the Soviet Bloc. After Communist China was declared an aggressor by the UN, these countries instituted controls over trade with Communist China more severe than the controls over trade with the rest of the Bloc. At the present time, the COCOM countries embargo to Communist China all items included on the three International Lists plus some 16 additional items of particular strategic significance to Communist China. A China Committee (CHINCOM) parallel to COCOM was set up in the

~~TOP SECRET~~

TOP SECRET

fall of 1952 for the purpose of working out international export controls to be applied in the Far East. A great number of other nations have also taken action to restrict strategic shipments to Communist China in accordance with the UN Additional Measures Resolution of May 1951. The Battle Act, enacted in the fall of 1951, has served to reinforce the COCOM and UN embargo by making the continuation of US assistance conditional upon the recipient country's cooperation in supplying controls over strategic shipments to the Soviet Bloc, including Communist China.

11. There has been a wide variation, however, in the contraband lists and enforcement measures used by individual countries. Although the controls imposed by the UK and the continental COCOM countries are fairly comprehensive, they fall short of the total embargo imposed by the US. Other nations, which are largely non-industrialized and do not produce strategic equipment, have shown little uniformity in their interpretation of the UN Resolution, which covers transportation materials of strategic value and items useful in the production of military materiel as well as petroleum and purely military items. A number of Middle Eastern and South-east Asian countries have made a general commitment to deny strategic items to the Chinese Communists, while India, Pakistan, and Burma have not been willing to go on record as supporting the UN Resolution although they have been cooperating informally in preventing re-export

TOP SECRET

TOP SECRET

of strategic items to the Chinese Communists. Ceylon, which is not a member of the UN, has refused to comply with the UN Resolution so far as shipments of rubber to Communist China are concerned.

12. Shipping controls have been particularly weak. The COCOM countries prohibit the sale of ships to Communist China and impose restrictions on the sale of merchant ships to the rest of the Bloc. Since October 1950 at least 33 vessels have been transferred to Soviet bloc flags. However, COCOM restrictions on sales were tightened somewhat in December 1951. The US alone has imposed comprehensive formal controls on ship sales, repairs, and bunkering, and British oil companies have adopted informal controls over the bunkering of vessels engaged in trade with Communist China. Only the US, Costa Rica, Honduras, and Panama prohibit vessels of their registry from entering Chinese ports, although Liberia prohibits vessels of its registry from carrying strategic cargo to Communist China. Present COCOM controls do not prohibit the chartering of merchant vessels other than tankers to the Soviet Bloc. Although the greater percentage by far of chartered vessels do not touch Chinese Communist ports, these vessels are used by the Soviet Bloc in Western European, South Atlantic and Indian Ocean trade and make possible the release of Communist flag vessels for direct service to Communist China.

TOP SECRET